

Message Text

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ACTION STR-04

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-07 EUR-12 NEA-10
IO-13 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
EB-07 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15 ITC-01
TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 OIC-02
STRE-00 /139 W

-----115831 191530Z /40

P R 191437Z JUL 77

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 9370

INFO AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

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USMTN USEEC

ACTION STR

H PASS CODEL

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: CUSTOMS VALUATION - MEETING WITH CANADIAN MTN DEL

1. SUMMARY: US MTN DEL MET WITH CANADIAN MTN DEL TO DISCUSS CANADIAN POSITION ON CUSTOMS VALUATION NEGOTIATIONS. CANADIAN MTN DEL HAD TWO PRIMARY OBJECTIVES FOR MEETING: 1) TO INFORM US THAT AT THIS TIME WE SHOULD NOT RULE OUT THE FULL CANADIAN PARTICIPATION IN CUSTOMS VALUATION NEGOTIATIONS AND 2) TO REQUEST US TO CONSULT BILATERALLY WITH CANADIANS BEFORE GIVING EC THE US REACTION TO THE EC'S DRAFT VALUATION CODE ANTICIPATED FOR THIS FALL. END SUMMARY.

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2. CANADIAN MTN DEL (AMB. GREY) REQUESTED MEETING WITH US MTN DEL (NEWKIRK) TO DISCUSS CANADIAN POSITION ON CUSTOMS VALUATION NEGOTIATIONS. GREY NOTED WHAT HE CONSIDERED "US/EC BILATERAL NEGOTIATIONS" IN THIS AREA AND WANTED TO EMPHASIZE TO US MTN DEL THE HIGHLY SENSITIVE NATURE OF THIS ISSUE FOR CANADA. GREY INDICATED

THAT HE FORESAW SERIOUS PROBLEMS IN THEIR TAKING PART IN NEGOTIATIONS IF OBJECTIVE OF NEGOTIATIONS IS NEW INTERNATIONAL CODE ON VALUATION. ACCORDINGLY, HE WISHED TO KNOW US INTENTIONS IN THIS AREA.

3. US DEL OUTLINED US POSITION ON VALUATION, STRESSING "OPEN-MINDEDNESS" OF US APPROACH AND NECESSITY OF ADEQUATE RECIPROCITY FOR ANY CHANGES TO US SYSTEM. US THEN DESCRIBED EXTENT AND MODE OF US PARTICIPATION IN VALUATION DISCUSSIONS WITH EC TO DATE, AND POSSIBLE FUTURE ACTIONS.

4. GREY STATED THAT CANADIAN GOVERNMENT IS REVIEWING THE ISSUE OF VALUATION AND HE IS PREPARING COMMENTS ON A MEMO TO HIS MINISTERS IN OTTAWA SETTING FORTH THE PROS AND CONS OF FULL PARTICIPATION IN THE CUSTOMS VALUATION NEGOTIATIONS. HOWEVER, BEFORE TRANSMITTING HIS COMMENTS TO OTTAWA, HE WISHED TO MORE FULLY DISCUSS THE US POSITION IN THESE NEGOTIATIONS. GREY STRESSED THAT AT THIS POINT CANADA HAD NOT MADE A DECISION ON WHETHER OR NOT TO FULLY PARTICIPATE IN CUSTOMS VALUATION NEGOTIATIONS. ACCORDINGLY, GREY INDICATED THAT IN THE PROCESS OF DETERMINING WHETHER THE CANADIAN GOVERNMENT SHOULD FULLY PARTICIPATE IN CUSTOMS VALUATION NEGOTIA-

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TIONS HE WOULD LIKE TO HAVE AN INTENSIVE US-CANADIAN DISCUSSION ON ANY EC INITIATIVE PRIOR TO THE US GIVING ITS COMMENTS TO THE EC. HE STRESSED THAT THE ISSUE OF VALUATION WAS LIKELY MUCH MORE IMPORTANT AND POLITICALLY MORE DIFFICULT FOR THE CANADIANS THAN FOR THE US. TO THE EXTENT POSSIBLE, HE WOULD LIKE TO APPROACH THE CUSTOMS VALUATION NEGOTIATIONS WITH A UNITED CANADIAN-UNITED STATES FRONT.

5. GREY SAID THAT IN THEIR TALKS WITH THE EC HE INDICATED THAT THE CANADIANS WOULD BE WILLING TO NEGOTIATE THE ISSUE OF QUANTITIES, WHICH, ACCORDING TO GREY, IS THE MOST IMPORTANT ASPECT OF THE CANADIAN VALUATION SYSTEM. GREY ADDED THAT IF THE EC DOES NOT PRESENT A NEGOTIATING CONTEXT WITH WHICH THE CANADIANS CAN WORK, THEY WILL WITHDRAW THIS PROPOSAL. GREY IS NOT WILLING TO GO ANY FURTHER THAN THE US ON THIS ISSUE AND QUERIED US MTN DEL AS TO OUR POSITION ON "USUAL WHOLESALE QUANTITIES", I.E., WOULD WE CONSIDER CHANGING THIS RULE IF WE AGREE TO AN INTERNATIONAL VALUATION SYSTEM.

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INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-07 EUR-12
NEA-10 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
EB-07 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15 ITC-01
TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 OIC-02
STRE-00 /139 W

-----116176 191606Z /41

P R 191437Z JUL 77
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 9371
INFO AMEMBASSY BRUSSELS
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USMTN USEEC

6. GREY EXPRESSED THE HOPE THAT THE NEGOTIATIONS WOULD FIRST FOCUS ON ISSUES OF PRIMARY IMPORTANCE, I.E. QUANTITY, F.O.B., ETC. AT A LATER DATE, IF APPROPRIATE AND NECESSARY, A NEW INTERNATIONAL VALUATION SYSTEM COULD BE CONSIDERED. THE OTHER PRIMARY AREA WITH WHICH GREY IS CONCERNED IS NON-ARM'S LENGTH TRANSACTIONS. HE STATED THAT THE CHUMAS DRAFT WOULD GIVE CUSTOMS OFFICIALS A GREAT DEAL OF DISCRETION AND ALLOW THE US TO BE "MORE STRICT" THAN THE CURRENT SYSTEM. HE INDICATED THAT MOST OF THE MAJOR IMPORTS INTO CANADA FROM THE UNITED STATES, AS WELL AS FROM THE EC AND JAPAN WERE NON-ARM'S LENGTH TRANSACTIONS. ACCORDINGLY, UNDER THE PRESENT CANADIAN SYSTEM, USING FAIR MARKET VALUE, CANADIAN BUSINESSMEN HAVE RECOURSE TO THE APPROPRIATE REVENUE OFFICIALS IN CANADA AND REQUEST THEM TO UNDERTAKE A FAIR MARKET VALUE INVESTIGATION TO ENSURE THAT THE VALUE ON WHICH DUTIES ARE BASED HAS BEEN PROPERLY GIVEN. HE IN-

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DICATED THAT THIS WOULD BE ONE OF THE MOST DIFFICULT

PROCEDURES TO CHANGE IN THE CANADIAN VALUATION SYSTEM.

7. PROCEDURALLY, GREY WAS CONCERNED THAT THE U.S. NOT GIVE AWAY ANY NEGOTIATING LEVERAGE WE MAY HAVE. HE HOPED THAT AT SOME POINT NOT ONLY WOULD THE U.S. REPLY TO ANY EC INITIATIVE, BUT SERIOUSLY CONSIDER TABLING DRAFTS OF ITS OWN. THE US DEL DISABUSED HIM OF THIS POSSIBILITY, CITING THE RELATIVELY PASSIVE US ROLE IN THIS ASPECT OF THE MTN.

8. GREY STRESSED HIS PREFERENCE TO HAVE EXTREMELY PRECISE LANGUAGE AND OBLIGATIONS IN ANY NEW CUSTOMS VALUATION CODE. WITH REGARD TO C.I.F./F.O.B., HE SUGGESTED THAT, AS A CONCESSION FROM THE EC, WE MIGHT CONSIDER INSISTING THAT THE EC CHANGE TO AN F.O.B. SYSTEM OF VALUATION. (COMMENT: GREY'S CONCERN HERE IS THAT A CHANGE TO C.I.F. BY THE UNITED STATES WOULD SIGNIFICANTLY AFFECT THEIR EXPORTS TO THE US. END COMMENT) HE FEELS THAT CHANGE BY THE EC TO AN F.O.B. SYSTEM WOULD NOT ONLY ASSIST CANADIAN INTERESTS, BUT ALSO THOSE OF THE UNITED STATES.

9. THROUGHOUT THE CONVERSATION, GREY REPEATED THAT THE CANADIAN NEGOTIATING POSITION HAS NOT BEEN FINALIZED AND THAT WE SHOULD NOT RULE OUT FULL CANADIAN PARTICIPATION IN CUSTOMS VALUATION NEGOTIATIONS. CONSEQUENTLY, HE WANTED TO ENSURE THAT THE UNITED STATES WOULD CONSULT WITH CANADA BEFORE GIVING THE EC A RESPONSE TO THEIR NEXT INITIATIVE. SPECIFICALLY, HE WANTS TO DISCUSS WITH THE US PARTICULAR PROVISIONS IN THE EC DRAFT SUCH AS QUANTITIES, NON-ARM'S LENGTH TRANSACTIONS, LEVELS OF TRADE, AND PROCEDURES BEFORE GIVING HIS COMMENTS TO THE EC. GREY FEELS LIMITED OFFICIAL USE

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THAT IF THE CANADIANS DECIDE TO FULLY PARTICIPATE IN THE CUSTOMS VALUATION NEGOTIATIONS, THERE MAY BE SEVERAL AREAS IN WHICH THE US AND CANADIANS WOULD HAVE A COMMON UNDERSTANDING AND THEREFORE COULD MORE FORCEFULLY PRESENT A COMMON NEGOTIATING POSITION AGAINST THE EC. MTN DEL STATED THAT WE WOULD BE WILLING TO DISCUSS OUR POSITION WITH THE CANADIANS PRIOR TO CONTACTING THE EC, BUT STRESSED THAT THE DIFFERENCES OF US AND CANADIAN WILLINGNESS TO NEGOTIATE ON THIS ISSUE COULD PREVENT DEVELOPMENT OF A COMMONALITY OF POSITIONS.

10. COMMENT: THIS MEETING WITH AMB GREY WAS THE MOST FORTHCOMING INDICATION THE CANADIANS HAVE GIVEN IN THE CUSTOMS VALUATION AREA. AT THIS TIME, IT IS UNCLEAR AS TO THE EXTENT TO WHICH CANADIANS WILL WORK ON DEVELOPMENT OF A NEW VALUATION SYSTEM. THEIR PREFERENCE AP-

PEARS TO BE TO CONCENTRATE NEGOTIATIONS ON SPECIFIC ELEMENTS, SUCH AS US FINAL LIST. HOWEVER, GREY'S COMMENTS CONCERNING THE SPECIFICITY WHICH WOULD BE NECESSARY IN A COMPREHENSIVE AGREEMENT INDICATE THAT THE CANADIANS ARE AT LEAST GIVING THOUGHT TO THE DEVELOPMENT OF A NEW SYSTEM. IF THE CANADIANS DO DECIDE TO MOVE IN THIS DIRECTION, WE SHOULD EXPLORE THE EXTENT TO WHICH THE UNITED STATES AND CANADA CAN WORK TOGETHER IN THIS AREA FOR MUTUAL BENEFIT. END COMMENT.CULBERT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, NEGOTIATIONS, MEETINGS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977GENEVA05979
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770256-1089
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770744/aaaablr.tel
Line Count: 233
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 65719a67-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1821952
Secure: OPEN
Status: NATIVE
Subject: CUSTOMS VALUATION - MEETING WITH CANADIAN MTN DEL
TAGS: ETRD, CA, MTN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/65719a67-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009